

Summary Contents

Using the Digital Library	iii
The Leading Resource for All Consumer Law	iv
Contents	ix

Part I Enforceability of Arbitration Requirements

Chapter 1	Preliminary Issues.	1
Chapter 2	Threshold Issues for Challenges to Arbitration Clauses.	15
Chapter 3	Federal Arbitration Act Preemption of State Law	37
Chapter 4	Formation of Agreement to Arbitrate	59
Chapter 5	Arbitration Clause’s Applicability to Particular Claims or Parties.	99
Chapter 6	Waiver of the Right to Compel Arbitration	163
Chapter 7	Federal Statutes and Rules Limiting Arbitration Requirements.	193
Chapter 8	Unconscionable and Other Unenforceable Arbitration Provisions.	219

Part II Conduct of Arbitration Proceedings

Chapter 9	Conducting Individual Arbitrations	281
Chapter 10	Arbitration of Claims on a Classwide Basis.	307
Chapter 11	Judicial Review and Effect of the Arbitration Award.	317
Chapter 12	Creditor’s Use of Arbitration to Collect Consumer Debts	349

Appendix A	The Federal Arbitration Act	367
Appendix B	Federal Limits on Arbitration	371
Appendix C	Rules of the American Arbitration Association	389
Appendix D	JAMS Rules	421
	Index	431

Contents

Using the Digital Library iii

The Leading Resource for All Consumer Law iv

Part I Enforceability of Arbitration Requirements

Chapter 1

Preliminary Issues

1.1	All Subscribers Have Access to the Digital Version of This Treatise	1
1.2	Scope and Organization of This Treatise	1
1.2.1	Introduction	1
1.2.2	The Chapters and Appendices	1
1.2.3	Companion Material	2
1.2.4	Authorities Cited in This Treatise	2
1.3	Definition of Predispute Binding Arbitration Agreement—or “Forced Arbitration” Agreement	2
1.4	Why Mandatory Arbitration Agreements Unfairly Harm Consumers	4
1.4.1	Prevalence	4
1.4.2	One-Sided Nature of Arbitration	4
1.4.3	Limitations on Class Actions	5
1.4.4	Concerns About Arbitrators’ Impartiality	6
1.4.4.1	Repeat Player Bias	6
1.4.4.2	The Case of the NAF	7
1.4.5	Secrecy in Arbitration	8
1.4.6	Limitations on Discovery	9
1.4.7	Arbitration Fees	10
1.4.8	Other Concerns	11
1.4.9	Corporations Avoid Binding Arbitration When It Applies to Them	12
1.5	Studies of Consumer Arbitration	12
1.6	Recent Legislative Developments	14
1.6.1	Congressional Action	14
1.6.2	State Law	14

Chapter 2

Threshold Issues for Challenges to Arbitration Clauses

2.1	Introduction	15
2.2	Do Courts or Arbitrators Decide Enforceability Challenges?	15
2.2.1	Introduction	15
2.2.2	General Rule: Gateway Issues Are for the Court	15
2.2.3	When Arbitration Agreement Delegates “Gateway” Issues to the Arbitrator	16
2.2.4	Distinguishing Challenges to the Arbitration Clause Versus the Whole Contract	16
2.3	Federal Jurisdiction and Venue in Actions to Compel Arbitration	17
2.3.1	Introduction	17

2.3.2	Federal Question Jurisdiction	17
2.3.3	Federal Diversity Jurisdiction	18
2.3.3.1	Is There Diversity?	18
2.3.3.2	Calculating the Amount in Controversy	19
2.3.4	Should Federal Court Abstain from Ruling on Arbitration Requirement?	19
2.3.5	Does the <i>Rooker-Feldman</i> Doctrine Prevent a Section 4 Federal Court Action?	20
2.3.6	Venue	21
2.3.7	Other Jurisdictional Issues	22
2.4	Right to Discovery Relating to Enforceability of Arbitration Clause	22
2.5	Right to Jury Trial to Determine Arbitration Enforceability	25
2.6	Appeal from Judicial Orders Relating to Arbitration	27
2.6.1	Introduction	27
2.6.2	Interlocutory Federal Appeals of Orders Denying Arbitration	27
2.6.3	Federal Appeals of Orders Enforcing Arbitration Requirement	28
2.6.3.1	No Interlocutory Appeal of Order Staying an Action	28
2.6.3.2	Interlocutory Appeal After Dismissal of Consumer’s Action	29
2.6.3.3	Is Court’s Action a Stay or a Dismissal?	30
2.6.3.4	Does Court Have Discretion Whether to Stay or Dismiss an Action?	30
2.6.3.5	Does Voluntary Dismissal of an Action Allow for Interlocutory Appeals?	31
2.6.3.6	Petitions for Writ of Mandamus	32
2.6.4	Pendent Jurisdiction over Orders Compelling Arbitration	32
2.6.5	Appealability of State Court Arbitration Orders	32
2.6.5.1	The Consumer’s Appeal	32
2.6.5.2	The Defendant’s Appeal	33
2.6.5.3	Deadlines to Appeal	34
2.7	Class Certification When Only Some Class Members Are Subject to Arbitration Requirements	34
2.7.1	General	34
2.7.2	The Burden Is on the Defendant	35
2.7.3	When Named Plaintiff Has Opted Out of Arbitration Agreement	35
2.7.4	Formation of Arbitration Agreement After Filing of a Class Complaint	35

Chapter 3

Federal Arbitration Act Preemption of State Law

3.1	General	37
3.2	State Law Regulating Formation and Enforceability of Arbitration Clauses	37
3.2.1	State Law Regulates the Formation of Arbitration Agreements	37
3.2.2	When State Law Regulates Agreement’s Enforceability	38
3.3	FAA Preemption of State Limits on Arbitration’s Enforceability	38
3.3.1	General	38
3.3.2	State Law Singling Out Arbitration Clauses	39
3.3.2.1	Supreme Court Case Law	39
3.3.2.2	Lower Court Rulings Finding Preemption	40
3.3.2.3	Does a State Law Single Out Arbitration?	41
3.3.3	State Laws Interfering with Arbitration’s Fundamental Attributes	42
3.3.3.1	Individual Arbitration As a Fundamental Attribute	42
3.3.3.2	Other Potential Fundamental Attributes	43
3.3.3.3	<i>Concepcion</i> ’s Limits	44
3.3.3.4	Public Injunctive Relief Does Not Interfere with a Fundamental Attribute	44

3.3.3.5	Requiring Arbitration Be Conducted Fairly Does Not Interfere with Fundamental Attributes	44
3.4	Limited FAA Preemption of State Procedural Law	46
3.4.1	General	46
3.4.2	FAA Procedural Provisions Apply Only in Federal Court	47
3.5	Special Situations in Which the FAA Does Not Preempt State Law	48
3.5.1	The “Market Participant” Exception	48
3.5.2	When State Law Allows a Private Party to Sue on Behalf of the State	48
3.5.3	Claims Regarding Insurance	49
3.5.3.1	General	49
3.5.3.2	Was the State Law Intended to Regulate Insurance?	50
3.5.3.3	Does a State Insurance Law Restrict Enforceability of Arbitration Agreements?	51
3.5.4	Limits to the FAA’s Scope	53
3.5.4.1	FAA Applies to Transactions in Interstate Commerce	53
3.5.4.2	Transactions Outside the FAA’s Scope	54
3.5.4.3	Applying State Law When FAA Does Not Apply	55
3.5.5	When Parties Contract to Have State Law Displace the FAA	56
3.5.6	State Ethical Standards for Arbitrators	57

Chapter 4

Formation of Agreement to Arbitrate

4.1	Overview	59
4.1.1	Introduction	59
4.1.2	Checklist of Ways to Challenge the Formation of an Arbitration Agreement	59
4.2	First Principles	60
4.2.1	No Presumption That Arbitration Agreement Is Formed	60
4.2.2	Burden Is on Party Seeking to Enforce Agreement to Prove Arbitration Agreement Validly Formed	61
4.2.3	State Contract Law Determines Whether Arbitration Agreement Is Validly Formed	63
4.2.4	Court Decides Whether Agreement Has Been Formed	63
4.3	Express Assent	64
4.3.1	Assent by Signing the Agreement	64
4.3.2	Signature Must Relate to the Arbitration Agreement	66
4.3.3	Express Assent Must Be Made with Intent to Be Bound to the Agreement	67
4.3.4	Electronic Assent	68
4.3.4.1	General	68
4.3.4.2	Click-Wrap	68
4.3.4.3	Sign-in-Wrap	68
4.3.4.4	Browse-Wrap	69
4.3.5	Agreement Not Valid Until Satisfaction of Any Condition Precedent	70
4.3.6	Agreement Not Valid Unless Both Parties Assent	70
4.3.7	Impact of Fraud on Arbitration Agreement’s Formation	71
4.3.7.1	Fraud in the Factum	71
4.3.7.2	Fraud in the Inducement	72
4.3.8	Other Defenses to Consumer’s Assent to Contract	73
4.3.8.1	Duress, Lack of Capacity, and Mistake	73
4.3.8.2	Unconscionability in Contract Formation	74
4.4	Implied Assent Based on Conduct	74
4.4.1	Overview	74
4.4.2	Notice Requirement	75

4.4.2.1	General	75
4.4.2.2	Notice Must Be Delivered	75
4.4.2.3	Proof of Notice’s Delivery	76
4.4.2.4	Notice Must Be Conspicuous	77
4.4.3	Action Sufficient to Signify Acceptance	78
4.4.3.1	General	78
4.4.3.2	Continued Use of Card or Continued Employment	79
4.4.3.3	When Consumer No Longer Uses Credit Card	80
4.4.3.4	Contract Performance As Acceptance	80
4.5	Arbitration Clauses Sent Unilaterally After Agreement Reached	81
4.5.1	Introduction	81
4.5.2	Arbitration Clause Unilaterally Sent After Agreement Is Consummated	81
4.5.3	Company Delivers Product But Claims Transaction Not Final	82
4.5.4	Arbitration Agreement Added in a Bill Stuffer	83
4.5.4.1	Change-in-Terms Provisions Do Not Allow the Addition of an Arbitration Clause	83
4.5.4.2	Contracts Permitting Issuers to Add New Terms	84
4.5.4.3	Delaware Statute Seeks to Allow Addition of New Terms	84
4.6	Illusory Agreements	85
4.7	Mutuality and the Requirement of Consideration	87
4.8	Arbitration Requirement Must Be Clear and Unambiguous	89
4.8.1	When Contract Merely Refers to an Arbitration Requirement	89
4.8.2	Agreement Must Be Clear and Unmistakable	90
4.8.3	Conflicting, Missing, or Ambiguous Terms in the Agreement	91
4.9	Jury Trial Waiver Must Be Knowing and Voluntary	92
4.9.1	General	92
4.9.2	The Doctrine and FAA Preemption	94
4.9.3	Application of the Doctrine	94
4.9.4	Application of the Doctrine to Waiver of Statutory Rights	94
4.10	Executed Arbitration Agreements That Are No Longer Binding	95
4.10.1	TILA Rescission and Other Three-Day Rights to Cancel	95
4.10.2	Opting Out of an Arbitration Clause	96
4.10.3	When Arbitration Agreement Superseded by Later Agreement	96
4.10.4	Expired Contracts; Claims Based on Prior Contracts	97
4.10.5	Can Assignor Enforce Agreement After Its Assignment	98

Chapter 5

Arbitration Clause’s Applicability to Particular Claims or Parties

5.1	Introduction	99
5.2	General Standards of Interpretation	99
5.3	Application of Purported Federal Policy Favoring Arbitration to Disputes About Agreement’s Scope	99
5.3.1	<i>Moses H. Cone Memorial Hospital v. Mercury Construction Corp.</i>	99
5.3.2	Narrow Reading of Federal Policy Favoring Arbitration	100
5.3.3	When the Federal Policy Is Not Applicable	100
5.3.4	The Federal Policy Applies Only When Intent Is Ambiguous	101
5.3.5	Ambiguous Clauses Are Interpreted Against the Drafter	102
5.3.6	Characterizing Challenges As Relating to Formation and Not Scope	103
5.4	Whether Particular Claims Fall Within an Arbitration Clause	103
5.4.1	Does the Court or Arbitrator Decide Scope Issues?	103
5.4.1.1	Is There a Clear Delegation Provision?	103
5.4.1.2	Supreme Court Rejects the “Wholly Groundless” Standard	106
5.4.2	Is the Claim Closely Enough Related to the Arbitration Clause	106

5.4.2.1	General	106
5.4.2.2	Whether a Clause Is “Broad” or “Narrow”	107
5.4.2.3	Broad Clauses	109
5.4.2.3.1	General	109
5.4.2.3.2	Claims must depend on the existence of the contract or require construction of the contract	111
5.4.2.3.3	Claims that arise from a duty created by law	111
5.4.2.3.4	When breach of contract is not an element or supportive of the claim	113
5.4.2.3.5	The foreseeability test	114
5.4.2.4	Narrow Clauses	115
5.4.2.5	Arbitration Clause Does Not Apply to Consumer’s Self-Help Remedies	117
5.4.3	The Temporal Scope of an Arbitration Provision	117
5.4.3.1	Application to Events Occurring Prior to Consummation of Arbitration Agreement	117
5.4.3.2	Application to Events Occurring After the Agreement’s Expiration	119
5.4.4	Whether One Contract’s Arbitration Clause Applies to Claims Arising from Another Contract	122
5.4.5	When Some Claims Are Within the Arbitration Clause’s Scope and Some Are Not	125
5.5	Arbitration Agreement’s Application to Non-Signatories: General Principles	127
5.5.1	Overview	127
5.5.2	Does Federal or State Law Determine Rights of Non-Signatory?	128
5.5.3	Equitable Estoppel	129
5.5.3.1	Overview	129
5.5.3.2	Equitable Estoppel When Non-Signatory Seeks to Enforce the Arbitration Agreement	131
5.5.3.2.1	Detrimental reliance of the movant	131
5.5.3.2.2	Broader application in arbitration cases	132
5.5.3.2.3	Relationship between signatory-plaintiff’s claims and the underlying contract	132
5.5.3.2.4	Relationship between non-signatory defendant’s misconduct and a signatory’s misconduct	136
5.5.3.2.5	Cases against payment processors and originating banks	138
5.5.3.3	Equitable Estoppel When a Signatory Seeks to Enforce the Arbitration Agreement Against a Non-Signatory	139
5.5.4	Third-Party Beneficiaries	142
5.5.5	Agency	145
5.5.5.1	Implication for Principal When Agent Signs Arbitration Agreement	145
5.5.5.2	Implication for Agent When Principal Signs Arbitration Agreement	146
5.6	Application of Arbitration Agreement to Non-Signatories: Specific Situations	149
5.6.1	Assignees and Successors-in-Interest	149
5.6.2	Insurers, Manufacturers, Service Contractors, Attorneys, and Owners	150
5.6.3	Debt Buyers and Debt Collectors	150
5.6.3.1	Debt Buyer or Collector Must Produce the Arbitration Agreement	150

5.6.3.2	Debt Buyer's Right to Enforce Creditor's Arbitration Agreement	151
5.6.3.3	Debt Collector's Right to Enforce Creditor's Arbitration Agreement	151
5.6.4	Claims on Behalf of Nursing Facility Residents	153
5.6.4.1	Background	153
5.6.4.2	Family Member's Signature Not Necessarily Binding on Patient	153
5.6.4.3	Is Resident a Third-Party Beneficiary?	155
5.6.4.4	Does the Designated Arbitration Forum Handle Nursing Facility Disputes?	157
5.6.5	Wrongful Death Claims	157
5.6.6	Guarantors and Sureties	159
5.6.7	When Some Parties Are Subject to the Arbitration Clause and Some Are Not	159
5.6.8	Application of Arbitration Agreement to Enforcement Agencies and Contempt Proceedings	161
5.6.9	When Association or Affinity Group Is the Signatory	162

Chapter 6

Waiver of the Right to Compel Arbitration

6.1	Introduction	163
6.2	Does State or Federal Law Apply?	164
6.3	Waiver Because of Litigation Conduct	165
6.3.1	Court Decides Whether There Is a Waiver	165
6.3.1.1	General	165
6.3.1.2	Waiver Is Not a Procedural Issue to Be Left to the Arbitrator	166
6.3.2	Litigation-Related Actions That Waive the Right to Compel Arbitration	167
6.3.2.1	The Totality of Circumstances Test	167
6.3.2.1.1	General	167
6.3.2.1.2	Factors to consider	168
6.3.2.1.3	Has party accused of waiver gained an unfair advantage?	168
6.3.2.1.4	Efficiency in dispute resolution	169
6.3.2.2	Pre-Complaint Litigation-Related Conduct	170
6.3.2.3	Debt Collection Lawsuit As Waiver of Arbitration Requirement for Subsequent Consumer Litigation	171
6.3.2.4	Filing Pleadings	172
6.3.2.5	Motions to Dismiss or for Summary Judgment or Otherwise Asking the Court to Address the Merits	174
6.3.2.6	Conducting or Participating in Discovery	176
6.3.2.7	Delay	178
6.3.2.8	Waiver in the Class Action Context	181
6.3.2.9	Other Actions Constituting Waiver	181
6.3.2.10	Express Indications of Waiver	182
6.3.2.11	Other Actions <i>Not</i> Constituting Waiver	183
6.3.3	Is Prejudice a Requirement or Factor to Establish Waiver?	184
6.3.3.1	Cases Are Divided on Whether Prejudice Is Required	184
6.3.3.2	Demonstrating Prejudice	185
6.3.4	No Waiver When Motion to Compel Arbitration Was Futile Prior to Change in the Law	187
6.3.5	Revival of Right to Compel Arbitration After an Amended Complaint	188
6.4	Waiver Based on Breach of Arbitration Clause Provisions	188

6.4.1	In General	188
6.4.2	Who Decides Whether Failure to Participate Waives the Arbitration Requirement	189
6.4.3	Failure to Pay Fees or Costs or Otherwise Participate in an Arbitration	189
6.4.4	Breach of an Arbitration Clause’s Covenant of Good Faith	191
6.5	Arbitration Agreements Cannot Limit a Court’s Ability to Find Waiver	191

Chapter 7

Federal Statutes and Rules Limiting Arbitration Requirements

7.1	General	193
7.1.1	This Chapter’s Scope	193
7.1.2	Federal Limits on Arbitration Not Examined in This Chapter	193
7.1.3	Congressional Intent Determines Whether FAA Is Overridden	195
7.2	Federal Law Prohibits Mandatory Arbitration in Mortgage Loans	195
7.2.1	Coverage	195
7.2.2	Two Separate TILA Requirements Limit Arbitration	196
7.2.3	Effective Date and Retroactive Effect	196
7.3	Federal Limits on Arbitration in Manufactured Home Sales	197
7.3.1	In General	197
7.3.2	Installment Sales and Other Dealer-Originated Manufactured Home Credit	197
7.3.3	When the Originating Creditor Is Not the Dealer	198
7.4	Consumer Credit Involving Active Duty Military Personnel or Their Dependents	198
7.5	Congress Overrides CFPB Limits on Mandatory Arbitration	199
7.6	Department of Education Limits on Schools’ Arbitration Requirements	199
7.6.1	General	199
7.6.2	Department of Education Rule Now in Effect	200
7.6.3	Substance of the 2016 Rule	200
7.7	CMS Rule Concerning Nursing Home and Other Long-Term Care Agreements	201
7.8	The FTC Act	202
7.9	The Magnuson-Moss Warranty Act	202
7.9.1	Is Binding Arbitration Inconsistent with Written Warranty Dispute Resolution?	202
7.9.1.1	General	202
7.9.1.2	The Text and Structure of the Magnuson-Moss Warranty Act	203
7.9.1.3	The Act’s Legislative History	203
7.9.1.4	The FTC Interpretations	204
7.9.2	Arbitration Requirement Must Be Disclosed in Written Warranties	205
7.9.2.1	General	205
7.9.2.2	Alabama Courts’ Strange Rejection of the Eleventh Circuit Ruling	206
7.9.2.3	Significance and Extent of Disclosure Requirement	207
7.9.2.4	Does the Disclosure Requirement Extend to Service Contracts and Extended Warranties?	207
7.9.3	Limits on the Designation of an Arbitration Service Provider	207
7.10	Claims Asserted in Bankruptcy	208
7.10.1	Introduction	208
7.10.2	Conflict Between Bankruptcy Code and FAA	208
7.10.3	<i>Zimmerman</i> , the 1984 Amendments, and Subsequent Case Law	209

7.10.4	Court Need Not Require Arbitration of Core Matters	209
7.10.5	Claims Asserted on Behalf of Bankruptcy Estate	212
7.10.6	Application to Consumer Cases.	213
7.10.6.1	General	213
7.10.6.2	Nature of Proceeding, Not the Claim, Determines Whether It Is a Core Proceeding	214
7.10.6.3	Critiquing <i>In re Mintze</i>	214
7.10.6.4	Proceedings Related to Automatic Stay or Discharge Injunction Violations.	215
7.10.7	Non-Core Matters Subject to Arbitration	216
7.10.8	Confirmed Plan Can Bar Enforcement of Arbitration Clause	216
7.11	No Conflict Between FAA and Credit Repair Organizations Act	217
7.12	The Carmack Amendment and the FAA	217

Chapter 8

Unconscionable and Other Unenforceable Arbitration Provisions

8.1	Introduction	219
8.2	FAA Preemption	219
8.2.1	Introduction	219
8.2.2	FAA Preemption and Unconscionability	219
8.2.3	FAA Preemption and the Vindication of Federal Statutory Rights	220
8.3	Who Decides Enforceability Challenge: Court or Arbitrator?	220
8.3.1	Is the Challenge to the Arbitration Clause Itself?	220
8.3.2	Is There a “Delegation Clause”?	221
8.3.3	Is the “Delegation Clause” Clear and Unmistakable?	222
8.3.4	Is the “Delegation Clause” Itself Valid?	223
8.4	The Doctrine of Effective Vindication Under Federal Law.	224
8.5	Unconscionability Under State Law	225
8.5.1	Sources of Unconscionability Law	225
8.5.2	Relationship Between Procedural and Substantive Unconscionability	226
8.6	Procedural Unconscionability	229
8.6.1	Contracts of Adhesion—Enough in Some States, Merely a Factor in Others.	229
8.6.1.1	What Is a Contract of Adhesion?	229
8.6.1.2	Is a Contract of Adhesion Always Procedurally Unconscionable?	230
8.6.2	Surprise As a Factor in Procedural Unconscionability	232
8.6.2.1	Conspicuousness of the Terms	232
8.6.2.2	Whether the Parties Were Hurried Through the Process	233
8.6.2.3	Complexity and Ambiguity of the Terms	234
8.6.2.4	Consumer’s Sophistication or Capacity	235
8.6.2.5	Importance of a Factual Record	236
8.6.3	Meaningful Choice As a Factor	237
8.6.4	Opt-Out Provisions	239
8.7	Substantively Overreaching Arbitration Provisions	240
8.7.1	General.	240
8.7.1.1	Substantive Unconscionability, Effective Vindication, Impossibility	240
8.7.1.2	General Concepts As to Substantive Unconscionability.	241
8.7.2	Excessive Fees and Costs	241
8.7.2.1	General	241
8.7.2.2	Precedent Regarding Excessive Arbitration Fees	243
8.7.2.3	Evidentiary Showing As to Costs	245

8.7.2.4	Costs Under AAA or JAMS Consumer Rules	246
8.7.2.5	Determine the Allocation of Fees Between the Parties.	247
8.7.2.6	Evidentiary Showing That Costs Are Unaffordable	248
8.7.2.7	Imposition of Costs Exceeding Those Required in Court	249
8.7.3	Loser Pays Attorney Fees	250
8.7.3.1	Introduction.	250
8.7.3.2	Loser Pays Rule Conflicts with Federal Statutes	250
8.7.3.3	Loser Pays Rule Unconscionable	251
8.7.4	One-Way or Non-Mutual Arbitration Clauses Are Often Unconscionable	252
8.7.4.1	Introduction.	252
8.7.4.2	Non-Mutuality Leading to Unconscionability	253
8.7.4.3	Non-Mutual Clauses That Appear to Be Mutual	254
8.7.4.4	Non-Mutual Appeal Rights.	255
8.7.5	Waiver of Substantive Rights Under Law	256
8.7.6	Limits on Consumer Remedies	256
8.7.6.1	Class Arbitration	256
8.7.6.2	Limitation on Punitive or Other Types of Damages	257
8.7.6.2.1	Punitive damages limitations conflicting with federal statutory remedies	257
8.7.6.2.2	Limitations on punitive damages as unconscionable.	257
8.7.6.2.3	Multiple damages	258
8.7.6.2.4	Actual damages	258
8.7.6.3	Limitation on Statutory Attorney Fees	258
8.7.6.4	Limitation on Injunctive and Equitable Relief	259
8.7.6.5	Shortened Statute of Limitations	260
8.7.6.6	High Arbitration Fees Accentuate Problem of Remedy-Stripping Provisions.	262
8.7.7	Inconvenient Venue for Arbitration	262
8.7.8	Overreaching Arbitrator Selection Process, Arbitration Rules	264
8.7.8.1	When One Party Controls Selection of the Arbitrator	264
8.7.8.2	Arbitration Provider Displays Actual Bias in Favor of Corporations	265
8.7.8.3	Special Case of Tribal Arbitration	266
8.7.8.4	Financial Incentives and Repeat-Player Bias Lead to Potential Bias	267
8.7.9	When Designated Arbitration Forum Is Unavailable	267
8.7.9.1	Introduction.	267
8.7.9.2	Reasons Designated Forum May Be Unavailable	267
8.7.9.3	When Arbitration Agreement Lists Alternative Forums.	268
8.7.9.4	When Forum’s Unavailability Makes Arbitration Requirement Unenforceable.	269
8.7.9.5	Language Indicating That the Forum Designation Is Integral	270
8.7.9.6	Language Indicating That the Forum Designation Is Ancillary	271
8.7.10	Secrecy Provisions.	272
8.7.10.1	Introduction.	272
8.7.10.2	Even Neutral Confidentiality Provisions Put Consumers at a Disadvantage	272
8.7.10.3	Public Concerns About Secrecy Provisions	273
8.7.10.4	Unequal Enforcement of Confidentiality Provisions	273

8.7.10.5	Secrecy As Part of the Nature of Arbitration	273
8.7.10.6	Arbitrator Ability to Limit Secrecy Provision	274
8.7.11	Excessive Limitations on Discovery	274
8.8	Remedies When Part of Arbitration Agreement Is Unconscionable	275
8.8.1	Introduction	275
8.8.2	Severance	275
8.8.2.1	Overview	275
8.8.2.2	Application to Arbitration Clauses	276
8.8.2.2.1	Introduction	276
8.8.2.2.2	Is the unenforceable term integral to the agreement?	276
8.8.2.2.3	The number of unenforceable terms in the agreement	277
8.8.2.2.4	The existence of a severance provision	278
8.8.2.2.5	Incentivizing drafter overreach	278
8.8.3	Defendants' Attempts to Absolve Unfairness After the Fact	278
8.8.4	Savings Provisions	279
8.8.5	Challenges During an Arbitration Proceeding	279

Part II Conduct of Arbitration Proceedings

Chapter 9 Conducting Individual Arbitrations

9.1	Getting Started	281
9.1.1	Why Conduct Individual Arbitrations	281
9.1.1.1	Adequate Client Representation May Require Use of Arbitration	281
9.1.1.2	The Consumer's Arbitration Fees Are No Greater Than a Court Trial	281
9.1.1.3	Discovery Is Often Possible	281
9.1.1.4	Arbitrators Do Not Always Rule Against the Consumer	281
9.1.2	Importance in Arbitration of Getting to Know the Client and Witnesses	282
9.1.3	Additional Resources to Help Arbitrate a Case	282
9.2	Selecting the Arbitration Forum and Arbitrator	283
9.2.1	General	283
9.2.2	Selecting a JAMS Arbitrator	283
9.2.3	Selecting an AAA Arbitrator	284
9.3	Arbitration Forum Rules and Fees	284
9.3.1	Forum Rules	284
9.3.2	AAA Minimum Standards for Arbitration Agreements	285
9.3.3	Forum Fee Schedules	286
9.4	When Defendant Fails to Pay Fees or Forum Does Not Approve Arbitration Agreement	286
9.4.1	Non-Payment As Waiver of Arbitration Agreement	286
9.4.1.1	General	286
9.4.1.2	Instructive Eleventh Circuit Decision	287
9.4.1.3	Practical Considerations in Seeking Waiver	287
9.4.1.4	California Law Protects Consumers When Business Fails to Pay	288
9.4.1.5	Does Waiver of Individual Arbitration Requirement Allow for Class Actions in Court?	289

9.4.2	Alternatives to Seeking Waiver of Arbitration Requirement for Non-Payment	289
9.4.3	When Arbitration Agreement Not Registered with AAA	290
9.5	Starting the Arbitration Process	290
9.6	Importance of the Preliminary Hearing	290
9.7	Setting the Scope of the Consumer’s Discovery	291
9.7.1	General	291
9.7.2	Consumer Entitled to Discovery to Vindicate Statutory Rights	292
9.7.3	Other Bases to Obtain Discovery	293
9.7.4	Number of Depositions Should Be Tailored to the Needs of the Dispute	293
9.7.5	Defendant Arguments to Reduce Plaintiff’s Discovery	294
9.7.6	Deposition of Defendant’s Employees and Agents	294
9.7.7	Subpoenas	295
9.8	Preliminary Motions, Disclosures, and Scheduling	295
9.8.1	Number of Hearing Days; Bifurcation of Liability and Remedies; Payment Schedule	295
9.8.2	Initial Disclosures	296
9.8.3	Discovery Motions	297
9.8.4	Dispositive Motions	297
9.8.5	Motions <i>in Limine</i> to Exclude Evidence	298
9.8.6	Pre-Hearing Submissions	298
9.9	Putting on the Case	299
9.9.1	Standards for Submission of Evidence	299
9.9.2	Witnesses	301
9.9.3	Arbitrator Questioning of Witnesses	301
9.9.4	Remote and Video Testimony at the Hearing	301
9.9.5	Documentary Submissions	302
9.9.6	Use of Affidavits in the Proceeding	303
9.9.7	Use of Arbitration Awards from Other Proceedings As Evidence	303
9.9.8	Objections at the Arbitration Hearing	304
9.9.9	Rebuttal and Completing the Presentation	304
9.9.10	Arbitration on Written Submissions Only	304
9.10	Post-Hearing Briefs Instead of Closing Arguments	304
9.11	Punitive Damages	305
9.12	Confirming the Arbitration Award	305

Chapter 10

Arbitration of Claims on a Classwide Basis		
10.1	Introduction	307
10.2	Does Arbitration Agreement Allow Classwide Relief?	307
10.2.1	Who Construes Whether Agreement Allows for Class Arbitration	307
10.2.1.1	General	307
10.2.1.2	Arguments for the Court or the Arbitrator to Decide	308
10.2.1.3	When Agreement Delegates Arbitrability to the Arbitrator	309
10.2.2	The Parties’ Intent	309
10.2.2.1	Parties’ Intent Determines Agreement’s Construction	309
10.2.2.2	Courts Rarely Overturn Arbitrator’s Determination of Intent	310
10.2.3	Factors Indicating That a Silent Clause Authorizes Class Arbitration	310
10.2.4	When Arbitration Agreement Appears to Prohibit Class Arbitration	312
10.2.5	Procedures for Reviewing an Arbitrator’s Determination on the Availability of Class Arbitration	312

10.2.5.1	Limits to Court Review of the Award’s Merits	312
10.2.5.2	Will a Court Allow Interlocutory Review?	312
10.3	Procedures for Arbitration of Class Claims	313
10.3.1	Importance of the Arbitration Forum	313
10.3.2	AAA Classwide Arbitration Rules	313
10.3.3	JAMS Classwide Arbitration Rules	313
10.3.4	When an Arbitration Agreement Specifies NAF Rules	314
10.4	Limited Judicial Review of Arbitrator’s Certification Award	314
10.5	Confirmation of a Class Arbitration Award	315

Chapter 11

Judicial Review and Effect of the Arbitration Award

11.1	Overview	317
11.2	Procedure to Confirm, Vacate, or Modify an Award	318
11.2.1	The Proper Court	318
11.2.2	Does State or Federal Law Apply?	319
11.2.3	Strict Timing Requirements	321
11.2.3.1	Short Period to Vacate or Modify an Award	321
11.2.3.2	Longer Period to Confirm an Award	322
11.2.3.3	Barriers to Vacating an Award at the Confirmation Hearing	323
11.2.4	Arbitration Agreement Must Be Produced at the Confirmation Hearing.	323
11.2.5	Can the Parties, by Contract, Alter the Nature of Judicial Review?	324
11.2.5.1	Contract Cannot Limit Court’s Power to Vacate or Modify an Award.	324
11.2.5.2	Arbitration Agreements That Increase the Scope of Judicial Review	324
11.2.6	Appeals of Trial Court Review of Arbitration Award	325
11.3	Grounds to Modify or Correct an Award	325
11.4	Grounds to Vacate Explicitly Set Out by Statute	326
11.4.1	General	326
11.4.2	The Grounds for Vacating an Award Are Not Waivable	327
11.4.3	When Arbitrators Exceed Their Powers or There is No Arbitration Agreement	327
11.4.3.1	General	327
11.4.3.2	Manifest Disregard of the Law As Exceeding Arbitrator Powers	329
11.4.4	Arbitrator’s Evident Partiality or Corruption.	329
11.4.4.1	General	329
11.4.4.2	Consumer Versus Commercial Case Standards.	331
11.4.4.3	California Statutes Requiring Disclosures by Arbitrators	332
11.4.4.4	<i>Ex Parte</i> Communications.	332
11.4.4.5	Equal Protection in Selection of Arbitrator	333
11.4.5	Arbitrator’s Misconduct Including Refusal to Postpone the Hearing or to Hear Evidence	333
11.4.6	Award Procured by Corruption, Fraud, or Undue Means	333
11.5	Vacating an Award Based on Its Merits	334
11.5.1	Are There Independent Grounds to Vacate on the Merits?	334
11.5.2	The Manifest Disregard of the Law Standard	335
11.5.2.1	General	335
11.5.2.2	When Arbitrator Does Not Explain the Decision	337
11.5.2.3	A Different Standard for Statutory Claims?	338

11.5.3	Must Courts Ensure Arbitration Decision Is Consistent with Public Policy?	339
11.5.4	Arbitrary and Capricious Awards	339
11.5.5	Can the Court Re-Examine Evidence?	340
11.5.6	Review of Award Affecting Individual Not Party to Arbitration Agreement	340
11.6	Arbitral Immunity	340
11.7	Protecting the Arbitrator’s Punitive Damages Award	341
11.7.1	Introduction	341
11.7.2	Is a Challenge to a Punitive Damages Award Timely and Brought in the Correct Court?	342
11.7.3	Does the Award Exceed the Arbitrator’s Powers?	342
11.7.3.1	Introduction	342
11.7.3.2	Does the Arbitration Agreement Limit the Arbitrator’s Authority to Award Punitive Damages?	342
11.7.3.3	Do the Rules of the Arbitration Service Provider Limit the Arbitrator’s Authority to Award Punitive Damages?	342
11.7.3.4	Does State Law Limit the Arbitrator’s Authority to Award Punitive Damages?	343
11.7.3.4.1	Few state laws limit punitive damages in arbitration	343
11.7.3.4.2	FAA preempts state law limitations on punitive damages.	343
11.7.3.4.3	Do general state law limits on punitive damages apply in arbitration?	343
11.7.4	Has the Arbitrator Disregarded the Law or Facts?	344
11.7.5	Does a Punitive Damages Award Violate Public Policy?	344
11.7.6	Due Process Challenges to Punitive Damages Awards	345
11.8	Arbitration and Issue or Claim Preclusion.	345
11.8.1	Introduction	345
11.8.2	Arbitration’s Preclusive Effect on Subsequent Court Proceeding	345
11.8.3	Preclusive Effect of Arbitration or Court Ruling on Subsequent Arbitration	346

Chapter 12

Creditor’s Use of Arbitration to Collect Consumer Debts

12.1	About This Chapter	349
12.2	How Collection Using Arbitration Works	349
12.3	Options After Receiving a Notice of Arbitration	350
12.3.1	Doing Nothing	350
12.3.1.1	In Most States Doing Nothing Is the Worst Choice	350
12.3.1.2	States Where Doing Nothing Is an Option	350
12.3.2	Seeking a Stay of Arbitration.	350
12.3.3	Participating in the Arbitration Proceeding	351
12.3.3.1	Participation May Result in Increased Consumer Liability.	351
12.3.3.2	Objecting to the Arbitration Before the Arbitrator	351
12.3.3.3	How to Participate in the Arbitration	352
12.4	<i>Vacatur</i> of an Arbitration Award	352
12.4.1	Introduction	352
12.4.2	Applicable Law, Jurisdiction, and Venue.	352
12.4.3	Grounds for Vacating an Award in a Debt Collection Case.	353
12.4.3.1	No Enforceable Arbitration Agreement.	353
12.4.3.2	Lack of Notice of the Arbitration Proceeding	355

12.4.3.3	Lack of a Required In-Person Hearing	355
12.4.3.4	Failure to Follow the Arbitration Agreement or Arbitration Forum Rules	356
12.4.3.5	Arbitrator Improperly Selected	356
12.4.3.6	Inconvenient Venue	356
12.4.3.7	Arbitration Award Is Contrary to the Law or Facts	356
12.4.3.8	Arbitrator Bias	357
12.4.3.9	Corruption, Fraud, or Undue Means	357
12.5	Opposing Confirmation of the Award	357
12.5.1	The Confirmation Process	357
12.5.2	Time Period to Vacate Does Not Start Running When Notice of Award Is Defective or Is Not Sent	358
12.5.3	No Deadline to Challenge the Arbitration Agreement’s Existence or Enforceability	359
12.5.4	Creditor’s Failure to Produce Arbitration Agreement or Any Applicable Assignment	361
12.5.5	Corruption, Fraud, or Undue Means Unknown to the Consumer	362
12.5.6	Consumer’s Failure to Participate May Prevent Confirmation	362
12.5.7	Defects in the Confirmation Proceeding	363
12.5.7.1	Creditor’s Petition to Confirm Is Untimely	363
12.5.7.2	Petition to Confirm Filed in the Wrong Court	363
12.5.7.3	Party Seeking to Confirm Award Entered on Behalf of a Different Party	363
12.5.7.4	Seeking an Amount in Excess of the Award	364
12.5.7.5	Other Defects in the Confirmation Proceeding	364
12.5.8	Preclusive Effect of Dismissal of Prior Confirmation Action	364
12.6	Setting Aside a Confirmed Arbitration Award	365
Appendix A	The Federal Arbitration Act	367
Appendix B	Federal Limits on Arbitration	
B.1	Prohibition of Arbitrations Involving Residential Mortgage Loans	371
B.1.1	Truth in Lending Act	371
B.1.2	Regulation Z	371
B.2	Limits on Arbitration Involving Military Personnel	371
B.2.1	Military Lending Act	371
B.2.2	Department of Defense Regulations	372
B.2.3	Department of Defense Interpretations	378
B.3	Department of Education Regulations Regarding Participating Schools	383
B.4	Consumer Financial Protection Bureau and Securities and Exchange Commission Authority to Restrict Arbitration	386
B.4.1	CFPB Authority	386
B.4.2	SEC Authority	386
B.5	Limits on Arbitration Involving Livestock and Poultry Farmers	386
B.6	Limits on Arbitration Involving Whistleblowers	387
B.7	Limits on Arbitration Involving Car Dealers and Their Franchisors	388
Appendix C	Rules of the American Arbitration Association	
C.1	Consumer Arbitration Rules	389
C.2	Consumer Arbitration Fees	402

C.3 Consumer Due Process Protocol 405
C.4 Consumer Debt Collection Arbitrations 419

Appendix D

JAMS Rules

D.1 Consumer Arbitration Minimum Standards 421
D.2 Comprehensive Arbitration Rules 421
D.3 Arbitration Schedule of Fees and Costs 429

Index 431

